

Principles for Responsible Banking



**Progress Report 2024
As at April 2025**



Sustainability within the framework of the PRBs

Principle 1: Alignment

Principle 2: Impact and Target Setting

Principle 3: Clients and Customers

Principle 4: Stakeholders

Principle 5: Governance and Culture

Principle 6: Transparency and Accountability



Sustainability within the framework of the PRBs

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Principle 1: Alignment

Links & references

Briefly describe your bank's sustainability strategy, and which international, regional or national frameworks and UN Sustainable Development Goals it aims to align with. Note any changes in the reporting year.

Berlin Hyp positions itself on the market as a sustainable company, and thereby takes a leading position (sustainability rating ranking) in the industry. In line with its view of itself as a sustainable financial services provider, Berlin Hyp feels bound by the **climate targets** set by the **EU** and the **Federal Republic of Germany**. The bank's understanding of sustainability is intentionally broad here: For Berlin Hyp, sustainability means not only reducing its own carbon footprint, but also promoting, simplifying and financing the transition to a sustainable economy and in this manner contributing to the transformation that is currently under way – not only in terms of ecology but also with regard to the economy and society as a whole.

Within this context, Berlin Hyp adopted a far-reaching sustainability agenda in 2020. In line with the Bank's commitment to sustainability, the ESG vision, which focuses holistically on four dimensions, was set as early as the 2021 financial year:

1. **Sustainability in business operations:** Pursuant to signing the "Commitment by German savings banks", Berlin Hyp is seeking to achieve carbon neutrality in its own business operations by 2025 at the latest. To this end, negative environmental impacts arising from business operations must be reduced on a continuous basis.
2. **Sustainable business portfolio:** Actively supporting its customers in the transformation to more energy-efficient and sustainable buildings is a priority for the Bank. In order to follow this path, Berlin Hyp has specified a control mechanism for its portfolio that is optimised in terms of CO2 intensity in line with the decarbonisation target paths defined in the Carbon Risk Real Estate Monitor (CRREM), which in turn are aligned with the targets of the **Paris Agreement**, i.e. carbon neutrality by 2050 at the latest. Berlin Hyp recognises a social responsibility in climate change mitigation and is committed to the Paris climate targets and to the Federal Republic of Germany's 2050 Climate Action Plan, which pursues the goal of averting the far-reaching consequences of climate change in line with environmental protection and in the interest of future generations.
3. **ESG risk management:** Berlin Hyp is currently integrating ESG risk criteria into existing risk management systems and processes in order to ensure that all opportunities and risks associated with its business activity can be identified and systematically controlled. With the same goal in mind, the Bank is also continuously further developing its risk management organisation in accordance with regulatory standards and recommendations. Here, the qualitative and quantitative methods for measuring and controlling ESG risks will address both financial and non-financial risks. In addition, suitable ESG metrics with defined limits or threshold values are being incorporated into Berlin Hyp's risk appetite and monitored in the context of the overall risk report.
4. **Transparency and ESG capabilities:** Berlin Hyp is seeking to maintain a continuously high ESG transparency through its external ESG reporting, which is to be governed by market standards. In addition, the Bank plans to gradually integrate sustainability aspects into its normal ongoing business processes. In addition to its own activities, Berlin Hyp is also actively involved in continuing to develop sustainability standards in the real estate and finance industry. Through the ambitions and measures defined for each individual dimension, Berlin Hyp wants to make an important contribution to the development of a future-oriented and sustainable real estate sector.

[Annual Report 2024](#) (pages 18 -19)

[Non-financial report in accordance with ESRS](#) (E5-1 14 / page 173)

[ESG-target vision](#)

Berlin Hyp is committed to its responsibility in the protection of human rights in all activities of its business. With this in mind, Berlin Hyp, has adopted several directives and joined the **United Nations Global Compact (UNGC)** in 2015.

[Non-financial report in accordance with ESRS](#) (BP-2 17c / page 32)

Furthermore, Berlin Hyp considers the maintenance of biodiversity to be one of the biggest challenges of our time, as its decline endangers the livelihoods of people today and future generations. In its capacity as a bank, Berlin Hyp would like to make an active contribution to the **Kunming-Montreal Global Biodiversity Framework (GBF)** and the **National Strategy on Biological Diversity (NBS)**. The bank's commitment regarding biodiversity and circular economy (which has the potential to effectively contribute to climate and environmental policy goals) is outlined in Berlin Hyp's Sustainability Guideline, which was updated in 2024.

(E4-2 22 / page 158)

The frameworks of Berlin Hyp's refinancing products are based on the **Green Bond Principles** as well as the **Sustainability-Linked Bond Principles** of the International **Capital Market Association (ICMA)**.

(E1-2 24 / page 103)

Berlin Hyp is guided in its actions and behaviour by the United **Nations Sustainable Development Goals (SDG)**, whereby it is particularly committed to SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action). The bank's Energy efficiency loans and taxonomy loans are secured by energy-efficient and environmentally friendly buildings and therefore contribute to the SDGs mentioned before. In Addition, Berlin Hyp's Social Loans contribute to the achievement of SDG 1 (No Poverty) and SDG10 (Reduced Inequalities).

[Sustainable Finance Framework](#) (pages 6,7 and 11)

[Sustainability Strategy](#)

[Sustainability Guideline](#)



Sustainability within the framework of the PRBs

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 2: Impact & Target Setting

Links & references

Briefly describe the bank's most significant impact areas and the steps taken to identify, measure and manage them—including impact analysis results, targets set (including sectors, portfolio coverage, and KPIs), actions taken, and progress against the targets. Where targets have been set, share details of the bank's transition/action plan, and progress made. Explain how the bank addressed interlink- ages between impact areas where possible.

In 2024, a materiality analysis in accordance with the requirements of the **Corporate Sustainability Reporting Directive** (CSRD) was performed for the second time. A detailed description of the processes to assess material impacts, risks and opportunities can be found within Berlin Hyp's Non-financial report in accordance with ESRS 2024 in section 1.4.1. Section 1.3.3 of the same report contains an overview of Berlin Hyp's material impacts, risks and opportunities as well as further references for each of these IROs. The management of the IROs is outlined in chapters 2-4.

The following two targets have been reported within Berlin Hyp's PRB report since 2022:

- Berlin Hyp aims to reduce the financed emission intensity of its loan portfolio by 40% between 2020 and 2030, which is pursued within the scope of the decarbonisation path.**
→ As at 31 December 2024, a reduction of 22,68% has been achieved.
- Sustainable refinancing instruments are to account for 40% of the capital market refinancing mix by the end of 2025.**
→ As at 31 December 2024, the share of ESG products in the capital market funding mix is 44,1%.

[Non-financial report in accordance with ESRS](#) (Section 1.3.3 / pages 62-65; section 1.4.1 / pages 66-82; chapters 2-4 / pages 89-245)

[Non-financial report in accordance with ESRS](#) (ESRS 2 SBM-1 40 e – D / page 55)
[ESG-target vision](#)
[Presentation to investors](#) (pages 36 and 63)
[ESG Bond Report 2024](#) (pages 18-22)
[Annual Report 2024](#) (page 38)

Further progress regarding decarbonization:

As at 31 December 2024, the financed emission intensity was 24.7 kg CO₂/m² /a, with a target value of 27.6 kg CO₂/m² /a. This corresponds to a 20 per cent reduction compared to the base year and a 18 per cent reduction compared to the previous year. The financed emission intensity was 2.8 kg CO₂/m²/a below the target path, while in the previous year the intensity was 0.7 kg CO₂/m²/a above the target path. Progress in decarbonising the portfolio is monitored on a quarterly basis. The adequacy of the target path is reviewed annually.

[Non-financial report in accordance with ESRS](#) (E1-4 30 in conjunction with MDR-T 80 j / page 111)

(Chapter 2.1 / pages 89 - 146)

(E1-3 28 / page 104)

The ESG control mechanism in Berlin Hyp's financing business, which comprises four control mechanisms, has been in force since the second quarter of 2024. These mechanisms influence **loan pricing** through markups and deductions:

- Decarbonisation:** Compares the financed emissions of a new property with the target value of the relevant sub-segment's decarbonisation path.
- Transformation:** Establishes incentives for the implementation of refurbishment actions during the loan term based on the CO₂ emissions reduced through the refurbishment.
- Property risk:** Takes account of transition and physical climate risks and sets price incentives for buildings with negligible climate risks.
- Customer profile:** Evaluates the customer's ESG risks in relation to the social and governance components; takes account of both positive and negative results during loan pricing.

By implementing these control mechanisms, the ESG-related price incentives can be set in order to manage new lending along the decarbonisation path. Sustainable buildings which are located below the decarbonisation path acquire a discount through the CO₂ intensity-optimised portfolio and price management. For "brown" buildings which do not fulfil the sustainability criteria, an incentive to become more sustainable is created by rewarding and supporting transformations.

For further information please see chapter 2.1 „Climate change mitigation" of Berlin Hyp's Non-financial report in accordance with ESRS (especially the transition plan for climate change in section 2.1.4 and actions taken in section 2.1.6.2.).

Further progress regarding sustainable refinancing instruments:

Berlin Hyp launched its refinancing activities in the reporting year with a Green Bond in January. The bond has a volume of € 500 million. The increase in an already outstanding covered Green Bond in March amounting to € 250 million was followed by a Social Bond issue with a volume of € 500 million. Berlin Hyp has also established itself as a major player on the Swiss capital market. In mid-April and in mid-July, the Bank issued green senior preferred bonds with a volume of CHF 120 million and CHF 115 million, respectively. Berlin Hyp now has more outstanding ESG bonds than conventional bonds (as at the reporting date).

[Annual Report 2024](#) (page 35)



Sustainability within the framework of the PRBs

Principle 3: Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 3: Clients & Customers

Links & references

Briefly describe how the bank works responsibly with clients and customers in relation to significant impacts, including products and services offered, internal policies and processes and engagement to implement targets/action plans/transition plans to encourage sustainable practices/economic activities. Note any changes in the reporting year

We want our business success to be sustainable, by which we mean the Bank should be able to maintain this success over the long term. In addition to economic aspects, the Bank's business activities therefore also take into account ecological and social aspects. In doing so, we assume responsibility for shareholders, customers, employees and society in a manner that goes beyond what is required by law. Our approach here is closely based on the German Corporate Governance Code, and we are also committed to the ten principles of the United Nations Global Compact as they relate to human rights, labour standards, environmental protection and anti-corruption measures. Furthermore, we are committed to and fully support the basic democratic order in Germany.

[Berlin Hyp Code of Conduct](#) (page 3 and 13)

Ethical aspects are taken into account when potential transactions in the finance and investment realm are evaluated, whereby the principle of ethical responsibility applies here. To this end, we have developed ethical investment criteria, and we do not make loans to customers and do not invest in enterprises who/which do not meet the defined criteria. Ethical criteria for financing are derived from the Bank's compliance requirements and the ten principles of the Global Compact. Berlin Hyp's business activities take place exclusively in the High Income OECD Countries in Europe – in other words in countries that have high ESG standards and consistently monitor compliance with these standards. When financing projects in these countries, Berlin Hyp therefore takes into account the specific ESG requirements in the given country.

Berlin Hyp's **Sustainable Finance Framework (SFF)** serves as a superordinate framework of its ESG financing products. It integrates the requirements of the EU taxonomy for buildings and construction activities with regard to the first two environmental objectives of climate change mitigation (CCM) and climate change adaptation (CCA). The SFF represents an overarching approach for all of Berlin Hyp's Green Loans to classifying sustainable financing products on a holistic scale. These new criteria for eligible green assets go together with the requirements that have been established in the SFF, which mainly target the energy efficiency of the financed buildings. Furthermore, Berlin Hyp introduced the Social Loan as part of the restructuring of its SFF. This product facilitates the financing of affordable housing in Germany and the Netherlands and thereby supports the availability of low-cost housing. Berlin Hyp reviews the SFF on an annual or case-by-case basis and adapts its strategic design accordingly. Case-by-case revisions include, for example, launching new products as well (e.g. within the meaning of the taxonomy requirements) or revising eligibility criteria for sustainable financing. In 2024 an update of the SFF was published.

[Non-financial report in accordance with ESRS](#) (E1-2 24 in conjunction with MDR-P 65 a / page 102)

(Section 5.3.2 / page 273)

(BP-2 17 c / pages 34-35)

Additionally, Berlin Hyp has defined sector-specific exclusion criteria in its **Sustainability Guideline** that must be met for all newly concluded instances of real estate financing. In its lending business Berlin Hyp uses the **"ESG checklist"** in order to evaluate the sustainability-related aspects of the buildings to be financed and of the borrowers.

(SBM-3 48 b / page 151)

(E1-2 24 in conjunction with MDR-P 65 a / page 102)

[Sustainability Guideline](#)

Investors are additionally provided with information on sustainable investment options via **Social Bond Framework, Green Bond Framework, Sustainability-Linked Bond Framework** and the ESG Bond Report. The Bond Frameworks are revised regularly in order to adequately take into account regulatory developments and new knowledge about the ESG capital market. In 2024 Berlin Hyp published an update of the Green and Social Bond Framework as well as the ESG Bond Report 2024.

[Non-financial report in accordance with ESRS](#) (E1-2 24 in conjunction with MDR-P 65 f / page 125)

Further information:

[Sustainable Finance Framework](#)

[Social Bond Framework](#)

[Green Bond Framework](#)

[Sustainability-Linked Bond Framework](#)

[ESG Bond Report 2024](#)



Sustainability within the framework of the PRBs

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Briefly describe how the bank consults, engages and collaborates/partners with relevant stakeholders for the purpose of implementing the Principles. This could include understanding impacts, setting ambitious targets, advocating for enabling regulatory/policy environments, and creating partner- ships that contribute to addressing significant impacts. Note any changes in the reporting year.

On the one hand, there are **stakeholders that are potentially affected by the impacts of Berlin Hyp**. These include the Bank's employees, workers in the value chain, or nature, which simultaneously represents the interests of future generations. With regard to these stakeholders, Berlin Hyp reports in the CSRD statement on its material sustainability-related impacts and the policies, actions, targets and metrics for managing them. On the other hand, Berlin Hyp's stakeholder groups also comprise those which are **interested in Berlin Hyp's economic success and who wish to be informed of material sustainability-related opportunities and risks** through the Bank's CSRD statement. Affected stakeholders may be impacted by direct and indirect impacts of Berlin Hyp on the environment and people. In accordance with Berlin Hyp's materiality assessment, this includes nature (which simultaneously represents the interests of future generations), the Bank's employees as well as workers, affected communities and consumers and end-users along the value chain. Users of the sustainability statement may be impacted by sustainability-related risks and opportunities that threaten Berlin Hyp's economic success. Sustainability-related risks and opportunities may in turn arise from the Bank's direct and indirect impacts on the environment and people – for example in the form of reputation effects.

[Non-financial report in accordance with ESRS](#) (Section 1.3.2 / pages 59-63)

In order to be able to identify the stakeholders' expectations and requirements at an early stage and react adequately in the context of sustainability, Berlin Hyp uses established formats for discussions with key stakeholder groups in society. Communication with stakeholders is a part of daily business activities – for example, in the form of conversations with customers, employee surveys and our activities in business association committees. In addition, Berlin Hyp uses the following (digital and physical) formats:

- Customer events
- Customer feedback after closure of a deal
- Customer satisfaction analyses
- Complaints management for customers
- Dialogue events of the Board of Management with all employees
- Employee survey on the risk assessment for mental stress
- Employee survey conducted by the Works Council on employee satisfaction with superiors and Berlin Hyp as an employer
- Employee information events
- Workforce meetings
- Exchange with the Works Council within the framework of the statutory obligation to consult and inform
- Exchange formats with experts and executives
- Investor roadshows
- Committee and association activities
- Round table talks with industry representatives
- Regular exchange with rating and sustainability agencies
- ESG Board
- Strategic dialogue
- Management Committee
- Participation in panels by members of the Board of Management and executives
- Participation in trade fairs



Sustainability within the framework of the PRBs

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Briefly describe the key governance structures in place (Board and Executive level) and related accountability mechanisms to implement the Principles. This could include how governance supports your bank's management of significant impacts and risks, including target implementation and monitoring of action/transition plans. In addition, briefly describe how a culture of responsible banking is driven internally (e.g. via employee learning & development). Note any changes or progress in the reporting period.

The Board of Management is responsible for adopting and reviewing the ESG strategy and indirectly monitors its implementation by means of anchored strategic goals and targets. In addition, it is responsible for implementing the consideration and integration of ESG risks and approving the risk appetite. Berlin Hyp's Board of Management and all division heads in the Bank are part of the Management Committee, which receives an ESG Management Report from the ESG Corporate Functions twice a year. This report forms the basis for management monitoring of the ESG strategy and is used as a basis for managing strategically relevant ESG topics and projects at the Bank.

The ESG Corporate Functions, consisting of the **ESG Strategy Corporate Function** and the **ESG Risk Corporate Function**, have been established as overarching cross-divisional functions at Corporate Strategy and Risk Control. These act as a type of delegation path between the Board of Management and the ESG organisation. The separate functions for addressing business matters and risks are meant to ensure that adequate attention is paid to all facets of ESG within the three lines model. Here, the analysis of the impact of climate phenomena and events on loan, market and operational risks falls under the responsibility of the Chief Risk Officer, while the identification, measurement, monitoring and management of such risks is delegated to the specialist divisions and departments via the ESG-Risk Corporate Function.

The Chair of the Board of Management and the Chief Market Officer are responsible for strategic positioning on ESG issues, while the ESG Strategy Corporate Function coordinates the consistent implementation of the ESG strategy. A three lines model or cross-divisional engagement with ESG takes place within the **ESG Board** under the management of the Chair of the Board of Management and with the support of the ESG Corporate Function. New ESG topics can and should generally be initiated by any unit at the Bank. The respective units are responsible for integrating ESG topics into existing processes in a decentralised manner.

Berlin Hyp's internal "**ESG Governance Guideline**" outlines in detail roles, responsibilities and activities of the bank's departments with regards to ESG.

The following documents and guidelines document values, principles, standards and codes of conduct that are essential for Berlin Hyp's sustainable business activity:

- Sustainability Guideline
- Gender Equality Guideline: Equal Opportunities Policy
- Environmental Management System Guideline
- Annex to the Framework Agreement on the Sustainability of Suppliers and Service Providers
- Guideline for Communication with Stakeholders
- Lobbying Guideline
- Guidelines for Dealing with Tax Law Requirements
- Guideline for Responsible Behaviour towards Customers in Financial Difficulties
- Guideline for Responsible Behaviour towards Customers

Berlin Hyp promotes its **corporate culture** by providing clear ethical guidelines in its Code of Conduct, implementing comprehensive training programs and establishing transparent processes. Open communication, the protection of whistleblowers, a strong compliance culture and control systems are key components for the establishment of a culture of integrity and the fight against corruption. Actions taken with regard to skills development and training of Berlin Hyp's employees are outlined in section 3.1.4. "Training and skills development" of the Non-financial report in accordance with ESRS 2024. (G1-1 9 / page 226)

(Section 3.1.4 / pages 186 - 198)

[Non-financial report in accordance with ESRS](#) (ESRS 2 GOV-1 22 b / page 46)



Sustainability within the framework of the PRBs

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Principle 6: Transparency & Accountability

Links & references

Provide reference to additional relevant reports, if not listed as references with P1–P5.

In 2024 Berlin Hyp published its PRB Progress Report 2023, GRI and TCFD Index 2023, ESG Highlight Report 2023, ESG Bond Report 2023 as well as its Environmental Declaration 2023.

Briefly note whether/where assurance of sustainability information has been undertaken (optional).

In Addition, in 2024 Berlin Hyp prepared its first „**Non-financial report in accordance with the European Sustainability Reporting Standards (ESRS)**“. For this report a **limited assurance** engagement was conducted by Deloitte for the financial year from 1 January to 31 December 2024 for complying with Sections 289b to 289e German Commercial Code (HGB) including the disclosures for complying with the requirements under Article 8 of Regulation (EU) 2020/852. [Non-financial report in accordance with ESRS](#) (page 348ff)

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Herausgeber

Berlin Hyp AG

Strategie und Innovation

esg-zentralfunktionen@berlinhyp.de

Corneliusstraße 7

10787 Berlin

T +49 30 2599 90

www.berlinhyp.de

